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UNCLAS SECTION 01 OF 15 TOKYO 000484

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US Ambassador to Japan expects report on beef issue to be ready in early February

ASAHI (Page 3) (Full)
January 30, 2006

US Ambassador to Japan Thomas Schieffer, appearing yesterday on a Fuji-TV program, made this comment about the problem of a shipment of US beef containing backbones, a risk material required to be removed as a measure to counter BSE: "The US is carrying out a complete investigation, and we would like to present a detailed report to the Japanese government about what happened in perhaps a couple of weeks." He gave his outlook that the report including the cause and the countermeasures would be ready in early February.

Ambassador Schieffer stated: "It was regrettable that the inspector was not ready to comply even though the US had accepted Japan's standard. The inspector has been punished for not properly doing his job. We would like to make sure that such a mistake never occurs again."

In addition, he commented on Under Secretary of Agriculture Penn's saying that the incidence of BSE danger was less than the chances of getting into an auto accident: "What Under Secretary Penn wanted to say was that the rate of BSE risk is low. His statement was regrettable, but essentially, he was saying that the problem must be resolved. Under Secretary Penn had no intention of rubbing (the feelings of the Japanese people) the wrong way."

4) Poll: 73% see lack of business morals behind Livedoor case;
Cabinet support down

YOMIURI (Top play) (Abridged)
January 30, 2006

In the wake of Livedoor Co., Ltd.'s alleged violation of the Securities Exchange Law, the Yomiuri Shimbun conducted a telephone-based spot nationwide public opinion survey on Jan. 27-29. According to its findings, 73% say the incident resulted from the lack of morals among its managers and executives. Prosecutors have now arrested the company's former president, Takafumi Horie. The poll shows the general public's severe eye toward his sense of ethics and business approaches. In the survey, respondents were asked if they thought the stock market should be restricted and watched even more strictly. In response to this question, 71% answered "yes." In addition, the ruling Liberal Democratic Party backed Horie when he ran as an independent in last year's election for the House of Representatives. Asked if it was appropriate, a total of 57% answered "no." The Koizumi cabinet's support rate also went down.

The approval rating for the Koizumi cabinet was 52.0%, and the nonsupport rate at 36.1%. The results of previous polls and the one taken this time cannot be simply compared due to different polling methodologies. However, the support rate was down 4.1 percentage points from a face-to-face survey conducted Jan. 21-22 before Horie was arrested. In the breakdown of public support for political parties, the LDP stood at 38.9%, down 2.0 points. The leading opposition Democratic Party of Japan (DPJ or Minshuto)

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was at 17.2%, up 4.6 points.

5) US presents flight routes for replacement facility to Futenma

YOMIURI (Page 2) (Full)
January 28, 2006

During senior working-level talks between foreign and security affairs officials of Japan and the United States in Hawaii Jan. 24-26, US Department of Defense officials presented to Japanese officials the flight routes for the replacement facility for Futenma Air Station that will be built on the coast of Camp Schwab in Nago City, Okinawa Prefecture. In the US plan, the flight route used by helicopters would reportedly be in the direction of the ocean side. In the Japanese government's draft, as well, the average noise level from the facility would be less than environmental standard, but reportedly, the US plan will give even further consideration to the noise factor, according to a government-related source.

However, since the runway direction will not change, in case there is an instrument flight by a fixed-wing liaison plane or the like, the aircraft would reportedly fly over 10 local homes along the path extended out from the runway. There was urging that the flight routes, as suggested in the Japanese sides original draft proposal, be adopted quickly.

6) US wants to change base plan to move refueling planes to Iwakuni; Japanese side refuses, and Futenma plan could be delayed

YOMIURI (Top story) (excerpts)
January 29, 2006

In US-Japan senior-working-level talks on the US military transformation held in Hawaii January 24-26, the US side called for changes to the plan to move 12 KC-130 refueling aircraft from MCAS Futenma in Okinawa's Ginowan City to the Maritime Self-Defense Force base in Kanoya, Kagoshima Prefecture. It became clear on January 28 that the US is now calling for the planes to be relocated to Iwakuni AS in Yamaguchi Prefecture. The relocation of the KC-130s to Kanoya is an important element in the return of Futenma, so the Japanese government is calling on the US to reconsider. If this issue becomes prolonged, it will assuredly have an impact on overall plans for the US military transformation.

7) Transport Ministry estimates that reduction of US-military-controlled Yokota Airspace by 40% would result in economic benefits worth 19 billion yen; 120,000 kiloliters of fuel could be saved

YOMIURI (Top story) (excerpts)
January 28, 2006

The airspace of Yokota AB, which is known as the Yokota radar approach control zones (RAPCON), spans nine prefectures in the Kanto area, including Tokyo and Kanagawa. The Ministry of Land, Infrastructure, and Transport (MLIT) has released an estimate showing that a 40% reduction of this airspace would result in economic benefits worth 19 billion yen. By lowering the ceiling on this airspace, carbon dioxide emissions could be cut by some 290,000 tons a year. It is expected that a reduction in Yokota's

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airspace along with the transfer of its control to Japan will be considered in the US force transformation, and it is expected that this estimate will influence US-Japan talks on the matter.

Yokota's airspace spans Tokyo, Kanagawa, Saitama, Ibaraki, Gunma, Niigata, Yamanashi, Nagano, and Shizuoka Prefectures. The zones have heights of between 3,700 and 7,000 meters. If commercial planes intend to fly through the area, they must obtain permission from the US military and follow its instructions. In actuality, they usually try to avoid the area and end up being forced to use more inefficient routes.

According to the MLIT estimate, the upper limits of the zones would be reduced 40%. A plane taking off from Tokyo's Haneda Airport would thus not have to take an inefficient route by going around Tokyo Bay in order to head west.

As a result, commercial flight times would be reduced by a total of 25,000 hours each year, which would also mean that 121,000 kiloliters would be saved annually. In addition, the labor costs of paying flight crews would be reduced, as they would work fewer hours. Combining these factors, the MLIT estimates that annual economic benefits would be worth 19 billion yen a year

8) Japan, US to conclude a general security of information agreement; Lawmakers who have leaked secrets will also be punished

The Japanese and US governments decided yesterday to conclude a general security of information agreement (GSOMIA) to prevent the leakage of shared defense secrets. The two governments have reached a conclusion that a comprehensive security framework was indispensable for sharing greater intelligence in strengthening cooperation on the planned US force realignment and jointly developing a missile defense system. It can be called a step to strengthen the bilateral alliance from a security perspective. The two governments are also considering making lawmakers who leak defense secrets subject to punishment.

Japan and the US already have a mutual defense agreement (MDA) to prevent the leakage of classified military secrets, but the pact only covers intelligence about the equipment and not operational secrets. Given the situation, the two governments had to sign a

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memorandum of understanding (MOU) on the protection of secrets in each case, such as the development of a next-generation intercept missile system. But Japan's secret protection system has been insufficient, and there seems to be no end to Japan's leakage of defense secrets to other countries, such as China. This can explain why the US has been reluctant to provide Japan with defense secrets.

Japan and the US have decided to conclude a GSOMIA because of the planned US force realignment, which includes a plan to establish the Air Self-Defense Force's joint command at US Yokota Air Base, necessitating US forces to share classified information with Japan. As a step to that end, the two countries have decided to enhance the security protection system. In fact, an interim report on US force realignment stipulates the need to take necessary measures for defending shared military secrets.

9) Married couple to Iraq on SDF mission

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ASAHI (Page 34) (Full)
January 30, 2006

The Ground Self-Defense Force (GSDF) has formed the 9th Iraq Reconstruction Support Group consisting of about 500 troops mainly from the GSDF's 1st Division based in Nerima, Tokyo, for humanitarian reconstruction assistance in the southern Iraqi city of Samawah. About 150 members of the group left Japan yesterday from Haneda Airport. The remaining GSDF members will also leave

Japan soon. They will be deployed in Samawah for three months.

The Iraq-bound GSDF group includes a married couple: Sgt. 1st Class Takashi Onishima, 35, and his 25-year-old wife, Lance Corporal Hiroko Onishima. They joined the Self-Defense Forces as they wanted to make an international contribution. "We hoped to do something for the Iraqi people as SDF members, not as a married couple," said Takashi. "My dream has come true," Hiroko said, adding: "We will be busy there, but I'd like to call to him if I see him over there."

In Samawah, a British military vehicle came under attack on Jan. 21. However, the two say they do not feel uneasy since they have trained to keep safe.

10) Yamaha also exported high-performance unmanned helicopter to corporation directly under People's Liberation Army

TOKYO SHIMBUN (Page 1) (Excerpts)
January 29, 2006

Yamaha Motor Co. of Iwata, Shizuoka Prefecture, illegally exported around November 2003 high-performance unmanned helicopters to a Chinese corporation run by the People's Liberation Army, police authorities revealed yesterday. Yamaha has also received tens of millions of yen annually in kickbacks from a different Chinese company. Suspecting that Yamaha exported the helicopters knowing that they would be converted for military use, police authorities have been conducting the investigation to file charges against the company in violation of the Foreign Exchange and Foreign Trade Law.

According to the investigation, the corporation in question is Poly Technologies Inc., a state company in Beijing that produces and sells weapons, from fighters to submarines to ammunition to communications equipment. Poly Technologies is under the umbrella of the Poly Group, established in 1993 under the direct control of the People's Liberation Army. The husband of the third daughter of the late Deng Xiaoping is vice chairman and president of Poly Technologies.

The helicopter mode in question is the Autonomous RMAX, which Yamaha began selling in July 2003. The model, equipped with a Global Positioning System and a high-performance camera, can fly at a maximum of 70 kilometers. The Autonomous RMAX can be used for transporting biological and chemical weapons and reconnaissance, as its engine and operability are more superb than those of the model exported to China previously.

Police authorities believe that Yamaha has exported at least one Autonomous RMAX, and it is now being used by the People's Liberation Army for reconnaissance.

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11) LDP to drastically review the use of space for defense purposes

NIHON KEIZAI (Page 2) (Full)
January 28, 2006

The Liberal Democratic Party's Special Committee on Space Exploration in its meeting on Jan. 27 decided to drastically review the present principle of limiting space use for peaceful purposes. The committee will discuss changing the principle to allow space use for defense purposes by modifying the present government interpretation that space use is limited to non-military areas. It will also come up with a plan to establish a cabinet-level council as a forum to discuss strategic space exploration. It will compile a final report in August and present it to the government.

On space exploration, the Diet adopted a resolution in 1969 saying that space should be used in principle for peaceful purposes. The government has interpreted it as meaning that space should only be used for non-military purposes.

12) General construction contractors allegedly took part in government office-led bid-rigging for Defense Facilities Administration Agency-sponsored projects; Former councilor gave go-ahead

MAINICHI (Top Play) (Excerpts)
January 30, 2006

It was learned through an informed source that in response to investigations by the special investigation squad of the Tokyo District Public Prosecutors Office over construction works, for which the Defense Facilities Administration Agency placed orders, the then-no. 3 councilor responsible for technical affairs at the agency revealed that he was aware that leading general construction contractors were repeatedly engaged in bid-rigging. The project in question was the construction of the new building of the agency. This source reportedly admitted that he authorized the corporate side's request for the continuation of bid-rigging in the summer of 2002. There has emerged the suspicion that government office-led bid-rigging for construction works, following bid-rigging for electric facility and air-conditioning works, took place, involving leading general construction contractors.

Regarding the alleged government office-led bid-rigging involving heavy electrical machinery and air-conditioner manufacturers, prosecutors appear to be conducting final-stage investigations on suspicion of obstructing open public bidding.

According to a source informed of the incident, the constructions of the new Defense Agency buildings moved from Roppongi, Tokyo to Honmura-cho, Ichigaya, Shinjuku Ward, Tokyo and the new building of the Self-Defense Forces Chuo Hospital at Ikejiri, Setagaya Word, Tokyo had been considered two major projects. General construction contractors involved conveyed the councilor in question their plan to coordinate construction orders in the summer of 2002.

The former councilor acknowledged such circumstances. He also reportedly approved the request for the continuation of bid-

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rigging.

For a series of construction works for the relocation of the Defense Agency, bidding among designated companies took place on March 14, 2003, taken part by leading general construction contractors, such as Kajima Corporation, Taisei Corporation, Shimizu Construction and Ohbayashi Corporation. Since the bidding prices of all bidders exceeded the cost estimates (cap prices), the contract method was changed to a contract-at-discretion formula. As a result, a joint venture, taken part by Shimizu Construction and other companies had its tender accepted for 745 million yen.

13) US sailor fined for breaking into Yokosuka school

MAINICHI (Page 31) (Full)
January 28, 2006

The Yokosuka Local Public Prosecutors Office yesterday made a summary indictment of James Baker, Jr., a 22-year-old US Navy petty officer second class based at Yokosuka, Kanagawa Prefecture, on charges of trespassing a building. The Yokosuka Summary Court yesterday handed down a summary order that fined him 100,000 yen. He was released.

According to the order, Baker broke into Yokosuka City's Iriyamazu Junior High School from an unlocked radio studio after 12:30 a.m., on Jan. 18. In May last year, a US serviceman intruded an elementary school in Yokosuka and stole about 100,000 yen from a teacher's bag. At the time, prosecutors suspended an indictment since he paid back the money. The incident this time was a trespassing case that is lighter than theft. However, the prosecutors made a summary indictment possibly in view of the

fact that the case took place right after another US serviceman's robbery-murder case.

14) US sailor indicted for Yokosuka murder

MAINICHI (Page 31) (Full)
January 28, 2006

The Yokohama District Public Prosecutors Office yesterday indicted William Reese, 21, a US Navy seaman on board the USS Kitty Hawk, a Yokosuka-based US aircraft carrier, on charges of robbing and killing a female company employee. The prosecutors recognized Reese's willful murderous intent, stating that he had assaulted the woman for robbery purposes but upon encountering her resistance, thought to himself that he would not care even if she dies. Reese has generally admitted to the facts in the indictment.

15) 2 Okinawa-based US Marines held for taxi robbery

MAINICHI (Page 31) (Full)
January 28, 2006

The US Marine Corps in Okinawa held two Marines yesterday over a taxi robbery incident that took place in Camp Zukeran (Camp Foster) in the town of Chatan, Okinawa Prefecture, officials said yesterday. The Marines have not revealed their ranks, names, ages, or any other details about the incident. The US military held the two, so the US military has discretionary power over whether to hand over the two to Japanese investigative

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authorities before indictment.

The incident took place early on Jan. 7 near a barrack. A black person hailed a taxi and then pulled a knife on its driver, saying, "Give me money." He took about 5,000 yen and fled the scene.

16) Government to resume yen loans to Iraq as main aid after withdrawing GSDF

SANKEI (Page 2) (Full)
January 30, 2006

The government decided on Jan. 28 on a plan to resume yen loans to Iraq, which have suspended since 1985, to help reconstruction efforts there possibly before the end of this fiscal year. The yen loans will be used for several construction projects, including building bridges and irrigation development in the southern city of Samawah, where Self-Defense Forces troops have been carrying out their missions, and for dredging operations in the Persian Gulf. The government is preparing for a survey of the area among other things. The expectation is that the governments of Japan and Iraq will reach an agreement on the plan before the end of March.

The government intends to provide the yen loans from its official development assistance (ODA) program as its main assistance for creating jobs for the residents of Samawah, as it is considering withdrawing the SDF mission Iraq probably in May.

Japan has restarted its ODA program to Iraq, which had been suspended since 1985 as an economic measure against the former Saddam Hussein regime. The government announced in October 2003 its decision to offer a total of 5 billion dollars in assistance for the time being, and part of it has already been used for reconstruction projects.

Japan Bank for International Cooperation (JBIC) officials in charge of these projects will soon conduct a survey in Jordan concerning such aid projects as bridge construction and irrigation development in Samawah, the repair of a thermal power station in the southern part of Baghdad, and harbor dredging in the Persian Gulf.

The government has so far provided humanitarian assistance via

SDF troops and grant aid as economic assistance. It created the conditions for resuming its yen loans by making a decision last November to cut approximately 6.1 billion dollars (about 710 billion yen), approximately 80% of Iraq's debt with Japan, which totals about 7.6 billion dollars.

However, some have noted that the government will find it difficult to move ahead with its work since it is uncertain whether a "national reconciliation" government will be formed in Iraq. A government source said that the government intends to carry out full-scale coordination with a new government but is unable to determine the prospects for that happening. Therefore, there still remains uncertainty about when the government will resume its yen loans to Iraq.

17) US Democrats send letter urging Japan to halt test operations at nuclear plant

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ASAHI (Page 38) (Full)
January 28, 2006

Six US Democrats sent a letter to the Japanese government yesterday urging it to suspend plans to begin a test operation to extract plutonium at a nuclear-waste reprocessing facility in Rokkasho, Aomori Prefecture. The six lawmakers, including Edward Markey, expressed in the letter "concerns" about nuclear proliferation, according to a source linked to the Democratic Party. Markey is an influential lawmaker who has expertise in energy policy and nuclear nonproliferation.

The source said that the test operations at Rokkasho go against the trend of strengthening the global nonproliferation regime and "could have a negative impact on Iran's nuclear ambitions."

18) Japanese government rejects US request to halting nuclear fuel plan

ASAHI (Page 38) (Full)
January 28, 2006

Following a request sent (to Japanese Ambassador to the US Ryozo Kato) by US Democrats on Jan. 26 urging Japan to suspend its plan to conduct testing at the Rokkasho reprocessing plant, the Agency of Natural Resources and Energy yesterday issued the following view on nuclear non-proliferation after noting: "We have yet to receive the letter."

"We are announcing plans to use plutonium. Our plans have followed the safeguards of the International Atomic Energy Agency (IAEA), and it has been internationally recognized that the plans are intended for peaceful use."

19) Aiming to continue dialogue, Japan to launch talks with North Korea on three issues on Feb. 4

NIHON KEIZAI (Page 2) (Excerpts)
January 30, 2006

Japan and North Korea will hold the first round of government-level talks to discuss three issues, including the abductions of Japanese nationals, in Beijing starting on Feb. 4. Japan will seek progress on the abductions and other issues while making North Korea strongly aware that Prime Minister Junichiro Koizumi, who is enthusiastic about normalizing diplomatic ties with the North, will step down as president of the Liberal Democratic Party in September. There is a sharp division between Japan and North Korea over the abduction issue, given the North's position that it has already been settled. In an effort to win a commitment to continue the dialogue, Tokyo will have to fight a battle of nerves with Pyongyang.

Abduction and nuclear issues likely to hit a snag

Koizumi stressed to the press on Jan. 27, "Japan has pursued a

consistent policy." This remark is construed as suggesting that no diplomatic normalization talks will take place if the abduction issue is put aside. Chief Cabinet Secretary Shinzo Abe also stated at a meeting of the Lower House Special Committee on the Abduction Issue, "There is no room to compromise on the

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abduction issue," indicating an intention to call on Pyongyang to return abductees now living in the DPRK to Japan, investigate into the truth of the issue, and hand over the abductors.

However, the prospects for the government's success in this matter are not good. In fact, Koizumi remarked on Jan. 27 that it will be "difficult indeed (to attain progress)." North Korea, for instance, has demanded that Japan provide the basis for its judgment that the ashes the DPRK provided to Japan in 2004 as those of Megumi Yokota were not hers. Depending on the circumstances, the upcoming bilateral talks could hit a snag at the very outset.

20) Japan outlines to G4 a new plan for expanding UNSC membership by six

YOMIURI (Page 2) (Excerpts)
January 30, 2006

The government drafted a new resolution to expand the membership of the United Nations Security Council (UNSC) by six as part of the effort to reform the UNSC and is outlining it in New York to the United States and the group of four (G4) consisting of Germany, India, Brazil and Japan, which are all aiming to obtain a UNSC seat. Considering the US, the draft resolution proposes that nations that gain approval from two-thirds or more of the UN members be given a UNSC seat. The government intends to submit the resolution this spring, but it remains unclear whether it can convince the concerned nations.

According to the draft resolution, the present UNSC framework - five permanent members and 10 non-permanent members - will be expanded to include six nations. All nations can stand as a candidate for a permanent seat, and candidate nations that gain approval from two-thirds or more UN member nations will join the current five permanent members. But a veto right will not be given to the new permanent members.

According to the Foreign Ministry, if a vote is taken as the draft resolution proposes, 1) candidate nations that win approval from two-thirds or more of the UN members would be qualified for a permanent UNSC member; 2) of the new six seats, two would be allocated each to Asia and Africa and one each to Latin America and Europe; 3) if the number of candidate nations that win approval from two-thirds or more UN members does not reach six, the failed candidates would become quasi-permanent members. If all candidate nations fail to win approval from two-thirds or more members, they would become quasi-permanent members.

From the standpoint of emphasizing cooperation with the US, Germany, India and Brazil, the government states it would respond flexibly to a call by these nations for partial modification to the draft resolution.

Difference between the previous UNSC reform proposal and Japan's new proposal

- (L)Current UNSC
- (M)G4-submitted proposal (that was scrapped last year and has been submitted again this year)
- (R)Japan's new proposal

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Permanent members

5

11

5 (plus 0 to six)

Quasi-permanent members

No such members	No such members	0-6
Non-permanent members		
10	14	10
Total	25	21

21) Human trafficking: 104 foreign female victims in FY2005 even though control tightened urged by US

MAINICHI (Page 1) (Full)
January 30, 2006

The number of foreign women protected by female consulting centers nationwide totaled 104 from April to December in 2005, a 4.3 fold increase from the 24 in fiscal 2004, the Ministry of Health, Labor and Welfare revealed, based on its calculation. The ministry also has learned that relief measures are lacking with the fact that the government tightened its control after the US State Department put Japan on its watch list in June 2004 in its annual report on trafficking in persons -- placing Japan on the lowest level among the industrialized countries. The report cited that Japan has become the destination for human trafficking as foreign women and children are forced to work at the sex industry. Shocked by the US human trafficking report, the government strengthened regulations in December 2004, by revising the criminal law. Following the detections of human trafficking brokers, the number of victims running to police for protection rapidly rose. According to the health ministry, the consulting centers temporarily protected one to six persons annually from FY 2001 to 2003, but the number jumped sharply in FY2004. Among the foreign women protected by the government were 55 Filipinos, 36 Indonesian women, and six women from Taiwan.

It is estimated that a total of 800 to 900 foreigners are deported annually. The government will provide victims with medical support from fiscal 2006. It also will speed up readying systems to support victims by strengthening cooperation with the private sector.

22) Foreign Minister Aso's argument for "a visit to Yasukuni by Emperor" may create big stir

TOKYO SHIMBUN (Page 1) (Full)
January 29, 2006

"It is the best for the Emperor to visit the shrine. The Emperor's visit was suspended because of the question of whether he is a public figure or not. Considering how to resolve this issue, we should be able to find an answer," said Foreign Minister Taro Aso in a speech in Nagoya yesterday. Aso stressed that Japan's strained relations with China and South Korea over Prime Minister Junichiro Koizumi's visits to Yasukuni Shrine "would be resolved by a visit to the shrine by the Emperor."

As the reason for his assertion, Aso said: "Those who were killed in the war shouted 'Banzai' for the Emperor; no one did it for the prime minister," indicating that should the Emperor begin to pay homage at Yasukuni Shrine, it would become unnecessary for the prime minister to visit the shrine.

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The foreign minister refrained from mentioning what reaction China and South Korea would make if the Emperor visits the shrine.

No emperor has visited Yasukuni Shrine since the Yasukuni issue was politicized in 1975.

23) Gist of foreign minister's remark on Yasukuni issue

TOKYO SHIMBUN (Page 2) (Full)
January 29, 2006

Yasukuni Shrine is a religious corporation authorized by the Tokyo Metropolitan Government. The shrine is not a national

entity, so the central government has no authority to advise the shrine to do this or that.

It is absolutely unacceptable for the Japanese prime minister to let himself be told by foreign countries where he can or cannot go in his own country."

Heightened criticism by China may result in encouraging the prime minister to go even more times to the shrine. It is only natural that those who are told to stop smoking are more tempted to smoke. Keeping silent is the best.

Those who are enshrined at Yasukuni shouted 'Banzai' for the Emperor, and no one did it for the prime minister. I think it is the best for the Emperor to visit the shrine.

The emperor's visit to Yasukuni Shrine was suspended because of the question of whether he is a public figure or not. Depending how the issue is resolved, we should be able to find some answers.

24) Ryutaro Hashimoto warns against Japan leaning to the right

SANKEI (Page 5) (Full)
January 28, 2006

Jiji, Silicon Valley

Former Prime Minister Ryutaro Hashimoto of the Liberal Democratic Party (LDP) in a speech yesterday at Stanford University warned:

"Overall, Japan is drifting to the right. This trend is not so good. The LDP's victory in last year's Lower House election may end up hurting Japan internationally."

On relations with China, Hashimoto stated: "They could turn for the (better). In response to Chinese President Hu Jintao's invitation to visit his country, I, together with business leaders, will visit China in April, because I will be busy in March."

25) Davos World Economic Conference closes, taking high interest in growth of China, India; Only one panel focuses on Japan

MAINICHI (Page 3) (Full)
January 30, 2006

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The annual World Economic Forum (Davos Conference), a forum for political and business leaders of various countries to engage in free discussions, ended yesterday, winding up its five-day schedule. The presence of China and India was keenly felt in the conference this year, which the rise of China and India and the creation of new job opportunities being chosen as main themes.

The conference brought together 2,300 participants from 89 nations, including heads of government of various countries, such as German Chancellor Merkel. About 30 people attended the meeting from Japan, including Internal Affairs and Communications Minister Heizo Takenaka, Liberal Democratic Party Policy Research Council Chairman Hidemao Nakagawa, and Japan Association of Corporate Executives Chairman Kakutaro Kitashiro. India dispatched about 100 persons, including Commerce and Industry Minister Kamal Nath. China, where the conference schedule coincided with the Chinese New Year, sent about 30, including Vice Premier Zeng Peiyan, who is responsible for economic affairs.

Among 244 subcommittees, 15 chose China and India as direct themes of discussion. Many other subcommittees on other themes also talked about fast-growing India and China. Only one panel, taken part in by Takenaka, directly focused on Japan under the theme "Junichiro Koizumi's quiet reform." Some participants highly praised Koizumi's reform initiative, with an American representative saying, "Japan's economic recovery will have a

favorable impact on Asian nations." However, there were less than 100 participants in the conference hall, which can accommodate approximately 300.

Costa Rican Foreign Trade Minister Manuel Gonzalez told a Mainichi Shimbun reporter: "China and India are now key players in the global economy. Leaders (throughout the world) must envisage policies with a view to the rise of the two countries."

26) "Nominal growth rate should be raised to 4% -5%," says Hidenao Nakagawa at Davos Conference; Stresses cooperation with Takenaka

MAINICHI (Page 2) (Full)
January 29, 2006

Davos, Switzerland, Hiroshi Takayama

Liberal Democratic Party (LDP) Policy Research Council Chairman Hidenao Nakagawa and Internal Affairs and Communications Minister Heizo Takenaka on the morning of Jan. 28 (afternoon of the same day, Japan time) attended the annual meeting of the World Economic Forum (WEF), now being held in Davos, Switzerland. During the meeting, Nakagawa expressed his view that Japan should adopt an economic policy of raising the growth rate of the nominal GDP to 4% -5% over the mid-to long-term. With an eye on the current political situation, in which the key issue is now who will succeed the prime minister, Nakagawa played up a Takenaka-Nakagawa alliance. He clarified his stance of rejecting both a hike in the consumption tax and an early end to quantitative money easing, by advocating a policy of attaching importance to economic growth.

Both Nakagawa and Takenaka took part in discussions on the structural reforms of the Koizumi administration. Nakagawa

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stressed: "The results of the structural reforms are just about to bring about economic growth. We should accelerate our reform drive." He then noted that there should be a bullish economic policy aimed at raising the nominal growth rate to 4% -5%, as the economy emerges from deflation possibly before the end of the year. He then revealed a policy of including measures designed to achieve that end in a final report, which the LDP's fiscal reform study group will compile around May.

Takenaka pointed out that it is necessary to realize a small government, as the nation is becoming a graying society with a low birthrate. He was aligned with Nakagawa, saying, "The reform drive should be continued."

Nakagawa and Takenaka are envisaging a scenario of reconstructing finances by boosting revenues and cutting spending and by raising the economic growth rate based on a target for high nominal economic growth. As part of efforts to realize such a scenario, they met with the governor of the Bank of England, which has adopted an inflation target, and then indicated at a news conference their intention to look into the possibility of introducing an inflation target of about 2%.

SCHIEFFER